Summary

The overall Swiss market demand for automotive parts, equipment, aftermarket products as well as accessories was valued in 2004 at USD 1.095 billion and is forecast to expand between 3 and 5% in 2005. In the past few years, U.S. imports have garnered a small market share, registering USD 42 million in 2004. Germany, which traditionally has had a strong stronghold in the market, captured the lion's share with a total exceeding 47% of the market, followed by France with 15% and Japan with 10%.

Since Switzerland has no indigenous automobile manufacturing industry, demand is strongest for aftermarket products and accessories. However, as a result of a slowdown in the economy, which crimped importers' earnings, the Swiss market for automotive parts, equipment, and accessories was mired in the doldrums much of 2004. Nonetheless, there is a silver lining on the horizon that might help resuscitate market demand as optimism about the health of the overall economy abounds. This will eventually bolster consumer spending and spur the sale of automobiles, thereby adding impetus to the demand for automotive parts, equipment, accessories and aftermarket products. In times of a flourishing economy, Swiss consumers have the predilection to devote large sums of their disposable income toward automobiles and luxury accessories. Higher gasoline prices, which at the present time are at record levels, have hurt the automotive industry by curbing spending on accessories and aftermarket items.

Market Overview

Switzerland's open and transparent market environment, affluence, central location in the heart of Europe, sound economy, and highly developed industrial base represent vital ingredients for U.S. exporters to be considered. Federal, cantonal (state) and communal governments intervene as little as possible in the decisions of corporate management. Revenues generated by the overall Swiss automotive industry, including the sales of new and used automobiles, utility/commercial vehicles, gasoline stations, repair and service facilities and providers of related services, registered a total volume of Swiss francs 74.6 billion (USD 62.1 billion) in 2004, reflecting the industry's importance and might in the overall Swiss economy. Of the USD 62.1 billion, roughly USD 8.3 billion is funneled into the coffers of the federal government, partially destined for road construction and maintenance work undertaken at the country's elaborate road network of 71,214 kilometers (44,508 miles).

While the overall car fleet in Switzerland, which at the present time is assessed at 3.811 million automobiles, is expected to grow by only a small fraction as a result of higher retention rates of automobiles and subdued consumer spending, prudent growth projections nevertheless indicate that the overall automotive market demand will sustain a 3-5% growth rate in the months ahead.

The Swiss automotive market was liberalized on January 1, 2005, giving consumers greater choice in buying new automobiles. It is predicted that liberalization is also likely to bring prices down. Although U.S. automobiles captured only a one-percent market share in 2004, demand for U.S. automobiles could also rise as a result of the liberalization of the parts distribution and the availability of more U.S. and other foreign auto parts, whose product lines could be incorporated into the distribution networks of independent parts dealers. A greater U.S. automotive market share would spur demand for both OEM and aftermarket products. Many Swiss car dealerships and repair facilities contend that changes brought by market liberalization could exert pressure on costs; there is the potential for prices to come under increased pressure due to stiffer competition. U.S. suppliers of parts, equipment, accessories and aftermarket products may, therefore, need to adjust their pricing and sales terms to remain competitive.

Market Trends

After two years of slow growth of the overall automotive market, including sales of new and used automobiles, parts, equipment, accessories and aftermarket products, industry experts are forecasting market demand to grow between 3 and 5% in 2005, linked to overall economic growth. Demand is expected to rise for new cars and related parts and accessories. However, industry analysts are predicting the market demand for cars to be linked directly to growth in the overall Swiss economy. Market demand for new automobiles in terms of units dipped in recent years. In 2002, imports of new automobiles amounted to 293,034 units, and in 2004 the number of units was 267,476 units, 8.7% fewer than in 2002. The decline in demand for cars has also had a negative impact on demand for parts. Automobile imports from the United States in 2004 amounted to only 3,197 units, representing a market share of less than 1%.

During years of strong economic growth, Swiss consumers have traditionally made automobile procurements at shorter time intervals, which favorably affected demand for parts and accessories. Recent slower economic growth has, however, dampened demand, with the automobile industry feeling the pinch. Because of sluggish automobile imports, many motorists have opted to forego the installation of luxury items, including audio equipment, aluminum wheel rims, wider tires, etc. When economic growth increases, demand for these products is likely to grow. With a silver lining on the horizon, however, industry experts are quite sanguine about more than moderate growth in market demand for automobiles as well as for parts and accessories market in 2005 and beyond.

The weak U.S. dollar against a strong Swiss franc is bound to have a positive effect upon U.S. imports. In recent months, Swiss importers and distributors of parts, components and aftermarket products have shown a growing interest in purchases of U.S. automotive parts and equipment. U.S. suppliers are, therefore, encouraged to explore the possibility of penetrating the highly competitive and potentially lucrative Swiss market at this time.

The beneficiaries of the liberalization are independent car dealerships, authorized to perform repairs on all makes of automobiles irrespective of where or from whom the consumer acquired the vehicle. As a result, replacement parts manufactured by OEMs and marketed under their brand names will be given the status of original parts. Because of equal status, repair facilities will, henceforth, be able to offer their customers a choice between manufacturer-brand parts, OE-brand parts, and "matching quality" aftermarket parts that meet the same quality criteria as OEM parts. These developments represent important new market openings for U.S. suppliers.

Products with a high degree of receptivity on the Swiss market include bearings, garage equipment, diagnostics equipment, aftermarket products, engines, parts, accessories including audio equipment and emission testing equipment. Swiss requirements for emission testing equipment have changed in recent years as a result of more stringent emission laws for gasoline and diesel fuels enacted by decree on January 1, 2001, by the Federal Department of Environment, Transport, Energy and Communication (DETEC). Conventional diesel emission testing equipment is no longer suitable for the Swiss market. This outmoded technology has been superseded by On-Board Diagnostics (OBD) systems to curb emission pollutants between 20 and 65 percent.

Import Market

The following table shows the Swiss market size in U.S. dollars/millions for automotive parts, equipment, aftermarket products and accessories:

	2003	2004	2005 (estimated)
Total Market Size	1,014	1,095	1,103
Total Local Production *	2,801	2,708	2,781
Total Exports	2,689	2,566	2,671
Total Imports	902	953	993
Imports from the U.S.	32	42	46

Exchange rate used e.g. Sfr. per USD: Sfr. 1.20
Estimated future inflation rate: less than 1%
Sources: The data noted above was compiled using official figures published by the Swiss Customs Authorities and interviews conducted with trade professionals
* It should be noted that under “local production” post was able to obtain only estimates, as companies interviewed exercised caution when asked to disclose local production figures due to their proprietary nature.

Competition

U.S. exporters face stern competition stemming from Switzerland’s major trading partners in the European Union, and particularly from Germany, Italy, France and the U.K.

Although there is no indigenous automobile manufacturing industry in Switzerland, Swiss manufacturers have become leading global players in supplying the systems and modules of engineered products for optimizing driving comfort in passenger and utility/commercial vehicles. About 150 Swiss companies are involved in the production of components, parts and systems and are fierce competitors in Switzerland and abroad. Total domestic production is valued at Sfr. 10 billion (USD 8.3 billion) annually, excluding machine tools. Swiss manufacturers are highly competitive in meeting growing consumer demand for increased environmental friendliness and compatibility, safety upgrades, and enhanced driving comfort.

Rieter Automotive Systems and Georg Fischer Automotive are major players in Switzerland that produce the bulk of parts and systems. Rieter Automotive Systems develops and produces components, modules and integrated systems on the basis of fibers, plastics and metals in order to provide acoustic comfort and thermal insulation in motor vehicles. Georg Fischer Automotive has supplied solutions for modern automobile technology for decades. The company’s specialists in R&D and casting engineering develop solutions from the product concept to its realization and to the management of production. Both divisions are world market leaders in their respective market segments.

U.S. imports of parts, aftermarket products and accessories amounted to USD 42 million last year. U.S. suppliers could benefit from an increased demand in the years ahead. An increased U.S. market share is contingent upon competitive prices, however, as Swiss car dealerships and importers are faced with thinner profit margins due to a cutthroat market environment. Countries showing the strongest presence on the Swiss market include Germany, securing a market share of over 47%, followed by a distant second France with 15% and Japan with 10%.

End Users

Swiss consumers are the main end users for automotive parts and accessories. Unlike spending on services, which has been holding steady in recent years, private consumption and expenditures on consumer durables, which also encompasses automobiles, are more sensitive to cyclical fluctuations and slow economic growth. One of the reasons for sluggish demand for parts and accessories in recent years is that new automobiles are being sold with more variety of interior and exterior features. New automobiles and used cars of recent vintage are, by and large, fully equipped with features deemed "luxury" items to include AC systems, power steering, costly audio equipment, aluminum wheel rims, high-performance tires, seat covers, and premium custom-made (heated) seats. All these amenities, designed to enhance driving comport, were not viewed as critical some years ago, and, hence, were procured separately as a follow-on investment, thereby accelerating sales of accessories.

However, high gasoline prices have contributed to weaker demand for accessories, reflecting the general uncertainty over the course of the economy and less disposable income to spend. Aside from mortgage payments, the largest expenditure in a typical Swiss household is earmarked for the procurement of an automobile, with follow-on expenses to encompass insurance premiums, various road taxes, maintenance and repair costs as well as the purchase of gasoline. Swiss car owners are prone to exercise prudence when it comes to individualizing their automobiles to suit their personal preferences.

Nonetheless, some types of accessories are in strong demand. American-style wheel rims are growing in popularity in Switzerland. Accessories most sought after by consumers include wheel rims, racks and tires, spoilers, and seat covers. In recent years Swiss motorists have also rediscovered their predilection for costly interior fittings, sophisticated audio systems including speakers, tuning extras, multimedia, telecommunications, lifestyle products, as well as navigational systems. Given the positive outlook on these product categories, U.S. suppliers are encouraged to consider tapping into the Swiss market.

The Swiss automotive market was liberalized on January 1, 2005, in a move designed to give consumers greater choice in buying new cars. The liberalization could spur increased demand for parts and aftermarket products. The changes in the Swiss regulatory environment are in line with efforts afoot in the European Union (EU), of which Switzerland is not a member, to open the market for spare parts for cars. Swiss garages, repair shops, and dealerships, which at present number 5,400, are readying themselves for a predicted upsurge in competition. Lately, smaller car dealerships have faced stiff competition, and between 3 to 5% of the overall garage dealerships have been edged out of the market.

Market Access

Having one of the most liberal and competitive economies in the world, Switzerland is a highly sophisticated, technologically advanced, quality-conscious, and competitive market and operates under the precept of free enterprise and freedom of trade and commerce. The Swiss import climate is favorable to imports of automobile parts, aftermarket products, equipment and accessories, with no major roadblocks.

The 1972 Free Trade Agreement between Switzerland and the European Community eliminated customs duties and other trade restrictions for industrial and agricultural products. Free trade is hence possible for about 90% of the trade in goods of Swiss or EU origin. This free trade is also applicable to the European Free Trade Association (EFTA), of which Switzerland is a member. The majority of U.S. shipments of goods to Switzerland are assessed a customs duty, which is tied to weight rather than value. This arrangement, in particular, favors the importation of technical components normally low in weight but high in value. In order to compute duties owed, Swiss customs authorities utilize the Harmonized System (HS), thereby classifying goods in numerical order. The duty fee is levied in 100 kilogram-increments of the gross dutiable weight, unless some other method of calculation is specified in the tariff e.g. per unit, per meter or per liter. The gross dutiable weight comprises the actual weight of the commodities and their packing material, inclusive of any affixed material and supports placed upon the goods. Switzerland is a signatory to the WTO agreements on public procurement. Moreover, automotive parts and accessories earmarked for the Swiss market are subject to the Value-Added-Tax (VAT), which at present is assessed at 7.6%. The VAT is assessed based upon the value of the imported commodities.

Customs Contact Information

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Market Entry

Receptivity is fairly high for U.S.-made garage equipment, diagnostics equipment, aftermarket products, engines, parts, and accessories, including audio equipment and emission testing equipment. While most garage dealerships source their products from the U.S. supplier directly, there is a pool of importers/distributors of parts and accessories in Switzerland. These companies maintain good relationships with the end-users of parts and components.

U.S. exporters should plan to establish long-term relationships with their Swiss partners. It is often more difficult to arrange personal meetings with prospective Swiss business partners without first expressing commitment to the Swiss market. U.S. exporters should be prepared to meet Swiss customers' needs; this often means a willingness to ship in small volumes and to work directly with a Swiss importer or distributor rather than through a representative in a neighboring country.

For export-ready U.S. suppliers set to gain a foothold in the Swiss market, the U.S. Department of Commerce offers the Gold Key Matching Service (GKMS) program, which has a proven record to help U.S. companies to gain access to the Swiss market. The popular and effective GKMS is a customized program designed to pave the way for U.S. suppliers to penetrate the Swiss market. Through this service, the commercial specialist responsible for the automotive industry arranges appointments with prospective business partners. Please contact the U.S. Commercial Service in Zurich for further information to include the GKMS fee, guidance on how to sign up for a GKMS etc. Please contact the commercial specialist in Zurich, who may be reached at: +41-43-499-2972 (tel) or email: sandor.galambos@mail.doc.gov

Key Contacts

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Upcoming Trade Shows/Events

Geneva, Switzerland, March 2-12, 2006

76th International Motor Show
Geneva Palexpo
P.O. Box
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The International Motor Show is a consumer show and is geared toward automobile manufacturers, supplemented by manufacturers and sellers of auto equipment and accessories.

Cadillac, a unit of General Motors, and DaimlerChrysler’s Dodge unveiled new cars at the Geneva Motor Show in March 2005 to launch a fresh push into the European market, including Switzerland. DaimlerChrysler reintroduced Dodge as a brand name that had been absent from Europe for two decades. GM has established a separate dealership network to market Cadillac and Corvette in Switzerland and throughout Europe in order to compete in a luxury market that has been dominated by European brands like Mercedes, BMW and Jaguar.